

## Message Text

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SUBJECT: MEETING OF AD HOC WORKING PARTY ON IRON AND STEEL

1. DUE TO SHORT LEAD TIME NOT ALL INTERESTED AGENCIES WERE  
ABLE TO COMPLETE FULL EVALUATION OF DRAFT REPORTS ON (A)  
IRON AND STEEL INDUSTRY AND ENERGY APPLICATIONS, AND (C)  
CONDITION OF SUPPLY IN IRON ORE. DRAFT PAPER (B) ON  
SCRAP SUPPLY NOT YET RECEIVED HERE. USDEL SHOULD TAKE  
POSITION PRELIMINARY DISCUSSION MAY BE USEFUL, BUT ALL  
CHAPTERS SHOULD BE KEPT OPEN FOR FURTHER REVIEW AND POSSIBLE  
MODIFICATION TO ENSURE ACCURATE AND USEFUL FINAL PRODUCT.

2. FOR DISCUSSION USDEL MAY DRAW OF FOLLOWING PRELIMINARY  
COMMENTS ON KEY CHAPTERS:  
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DSTI/IND/IS 75.5

P. 8 TABLE 4 - WE QUESTION THE ROUGH ESTIMATES MADE BY  
RAPPORTEUR OF U.S. PRODUCTION AND EXTERNAL TRADE BALANCE.

WE BELIEVE THAT MINUS 13 MILLION TON ESTIMATE OF US EXTERNAL TRADE BALANCE IS THEREFORE OUT OF LINE. ANALYSIS OF THIS FIGURE WOULD NEED TO BE MADE PRIOR TO PUBLICATION AND OF FINAL REPORT.

P. 10 PARA. NO. 3 THE NEED FOR RECLASSIFICATION OF COKE AND COKING COAL AS A PRIORITY RAW MATERIAL RATHER THAN A SOURCE OF HEAT IS OF QUESTIONABLE VALUE.

P. 11 CHAPTER II IS USEFUL AS BACKGROUND BUT NEEDS TO BE SPECIFICALLY RELATED TO STEEL.

WHILE THIS DRAFT IS USEFUL AS AN OPENING SUMMARY OF THE SITUATION, THERE ARE A NUMBER OF IMPORTANT GAPS IN THE BACKGROUND INFORMATION. IN ORDER TO HAVE AN ACCURATE PICTURE, THERE NEEDS TO BE MUCH MORE DETAIL ON THE ACTUAL SITUATION IN EACH MEMBER COUNTRY AS TO THE TYPES AND PROPORTIONS OF ENERGY USED IN STEEL MANUFACTURE AS WELL AS ON COMPARATIVE ENERGY COST FACTORS. THERE ALSO NEEDS TO BE MUCH ANALYSIS OF FUTURE TRENDS. IN THE U.S., FOR EXAMPLE, ONE TREND OVER THE PAST SEVERAL YEARS HAS BEEN AWAY FROM THE USE OF COAL AS A SOURCE OF ENERGY AND A SWITCH TO OIL AND GAS. THIS TREND NOW SEEMS LIKELY TO BE REVERSED.

MORE ATTENTION SHOULD ALSO BE DEVOTED TO THE POSSIBILITIES OF SUBSTANTIAL ENERGY CONSERVATION IN THE MANUFACTURE OF STEEL. IN THE U.S. THERE ARE ACCELERATED ATTEMPTS IN BOTH INTEGRATED AND SMALLER MILLS TO INSTITUTE CONTINUOUS PROCESSING, HELPING TO AVOID REPEATED COOLING AND REHEATING PROCEDURES AND THEREBY SAVING ENERGY COSTS.

DSTI/IND/IS/75.1

P. 2 PARA NO. 2 (A) THESE FIGURES SHOULD BE CHECKED.

WHAT IS THE SOURCE? 500 MILLION TONS (1974) SEEMS LOW  
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WHEREAS 940 MT (1980) SEEMS HIGH.

P. 3 PARA NO. 3 THAT 50 PERCENT OF OECD STEEL MADE OF REMELTED SCRAP SEEMS WRONG. WHAT PROPORTION OF STEEL MAKING WAS HOT METAL BASED?

P. 3 PARA NO. 4 THE INDEX USING A 1955 BASE SHOULD BE UPDATED AND SAME INDEX SHOULD BE USED THROUGHOUT.

P. 6 PARA NO. 7 THE IMPRESSION IS GIVEN THAT IT IS MAINLY MINI MILLS WHICH ARE TO BENEFIT FROM DIRECT REDUCTION. MAJOR MILLS SHOULD ALSO BE VERY MUCH INCLUDED.

P. 7 PARA. 10 IT IS NOT CLEAR THAT NATIONALIZATION OF ITSELF WOULD LEAD TO REDUCTION OF EXPORTS. PRESUMEABLY IRON ORE WILL CONTINUE TO BE SOLD AS EXPORTS UNLESS DOMESTIC STEEL INDUSTRIES ARE DEVELOPED TO TAKE UP THE IRON ORE PRODUCED. ON THE OTHER HAND NATIONALIZATIONS MAY

LEAD TO LOSS OF PRODUCTION BECAUSE OF THE CHANGE OF MANAGEMENT OR BECAUSE OF A NEGATIVE INFLUENCE ON THE INVESTMENT CLIMATE. KEY FACT IS THAT IN FUTURE, EXPORTS WILL TAKE INCREASINGLY UP-GRADED FORM AND EVENTUALLY BE EXPORTED AS RAW STEEL.

P. 8 PARA 17 MORE ANALYSIS OF THE EFFECT OF IRON ORE PRODUCERS ORGANIZATION IS NEEDED.

P. 8 PARA 18 APPEARS TO SAY AT OUTSET THAT STOCKPILING OF IRON ORE HAS LESS INFLUENCE THAN IN THE CASE OF OTHER METALS, WHILE AT THE END OF THE PARA., CONCLUSION IS THAT STOCKS PERFORM AN IMPORTANT BUFFER FUNCTION. THIS MAY NOT BE ENTIRELY INCONSISTENT, BUT A BETTER DELINEATION OF THE INTENDED MEANING SHOULD BE MADE.

IN GENERAL THIS PAPER IS A VERY RAPID OVERVIEW OF THE IRON ORE SITUATION AND NEEDS A CONSIDERABLE AMOUNT OF SUPPLEMENTARY MATERIAL BEFORE RELEVANT CONCLUSIONS CAN BE SUGGESTED FOR THE FINAL CHAPTER. KISSINGER

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